

**CALIFORNIA ALTERNATIVE ENERGY AND
ADVANCED TRANSPORTATION FINANCING AUTHORITY**
Meeting Date: January 15, 2013

***Notice to Board of Executive Director's Determinations for Specific Parameters under the SB
71 Sales and Use Tax Exclusion Program***

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Summary. The regulations for the SB 71 Sales and Use Tax Exclusion Program (“SB 71 Program”) contain several provisions that require the Executive Director of the California Alternative Energy and Advanced Transportation Financing Authority (CAEATFA) to determine various parameters for use by the Authority when evaluating applications for the SB 71 Program.

These parameters can be updated by the Executive Director when it’s determined that an adjustment of parameters will further advance the goals of the SB 71 Program, is required by the regulations, or will otherwise improve the accuracy of Application evaluations. The ability to adjust parameters provides CAEATFA with an important tool to respond to the dynamic nature of the technologies and industries served by the SB 71 Program.

This item is presented for the Board’s information only. No action is required due to regulations enacted on September 28, 2011, which delegated authority to the Executive Director to modify parameters as required by the SB 71 Program.

Background. In order to evaluate the fiscal and environmental benefits of an application, the evaluation criteria embodied in the SB 71 Program regulations rely on a number of specific values and parameters that the Executive Director must determine based on relevant research literature, consultation with professional economists or outside experts, information provided by other State agencies, and data provided by the public.

The Blue Sky Consulting Group provided significant input into the selection of the parameters and their initial values, these proposed modifications, and the integration of parameters into the net benefits evaluation.

The Board approved the SB 71 Program’s initial parameters in September 2010 and an update to those parameters in September 2011. This second update to the parameters does not require Board approval due to regulations approved by the Board on June 28, 2011 and enacted on September 28, 2011 that delegate authority to the Executive Director to modify parameters. This authority was delegated to the Executive Director to provide the SB 71 Program with more flexibility to adjust to changes in public, market or industry conditions that would require a timely adjustment to the parameters.

The following is a list of the specific parameters that the Executive Director has determined should be updated for which new data is available (see Attachment A for justifications provided for each of the assumptions and proposed parameters made to date):

Agenda Item – 4.A.

- Discount Rate
- Current Statewide Average Sales Tax Rate
- Ratio of State and Local Government Revenues to Gross State Output
- Applicable Local Property Tax Rate
- Current Annual Average Unemployment Rate for the State and Counties
- Pollution Cost Per Megawatt hour of electricity for Nitrous Oxide (NO_x), Sulfur Dioxide (SO₂), and Carbon Dioxide (CO₂) released in California and the rest of the United States

Attachment A

EXECUTIVE DIRECTOR DETERMINATIONS FOR CHANGES TO PARAMETERS

Discount Rate (§10033.C.1.i): 5.98%, based on the state's cost of borrowing as reflected by the yield on a thirty-year tax exempt general obligation pursuant to the most recent Debt Availability Report prepared by the State Treasurer's Office, as adjusted to reflect an equivalent taxable yield.

Current Statewide Average Sales Tax Rate, STR (§10033.C.1.A.iii): 8.37%, based on information collected by the California State Board of Equalization as adjusted to reflect the impact of Proposition 30 of 2012.

Ratio of State and Local Government Revenues to Gross State Output, GRISO (§10033.C.1.G.ii.a): 6.34%, based on the sum of the latest two-year average of actual state general fund revenues from the California Department of Finance, the latest two-year average of actual aggregate city and county revenues excluding intergovernmental transfers and service charges from the cities annual report and the counties annual report from the California State Controller's Office, divided by the latest two-year average of gross state product from U.S. Department of Commerce's Bureau of Economic Analysis.

Current Property Tax Rate, PRT (§10033.C.1.G.i.d.i): rates in table below, based on the latest annual average tax rate from the Board of Equalization.

County	Rate for 2010-11
Alameda	1.207%
Alpine	1.000%
Amador	1.017%
Butte	1.061%
Calaveras	1.092%
Colusa	1.028%
Contra Costa	1.126%
Del Norte	1.036%
El Dorado	1.057%
Fresno	1.153%
Glenn	1.050%
Humboldt	1.058%
Imperial	1.135%
Inyo	1.045%
Kern	1.162%
Kings	1.083%
Lake	1.067%
Lassen	1.021%
Los Angeles	1.195%
Madera	1.117%
Marin	1.111%
Mariposa	1.006%

Attachment A

County	Rate for 2010-11
Mendocino	1.109%
Merced	1.213%
Modoc	1.003%
Mono	1.090%
Monterey	1.088%
Napa	1.078%
Nevada	1.046%
Orange	1.058%
Placer	1.078%
Plumas	1.029%
Riverside	1.089%
Sacramento	1.091%
San Benito	1.041%
San Bernardino	1.125%
San Diego	1.097%
San Francisco	1.165%
San Joaquin	1.101%
San Luis Obispo	1.036%
San Mateo	1.089%
Santa Barbara	1.055%
Santa Clara	1.191%
Santa Cruz	1.090%
Shasta	1.093%
Sierra	1.036%
Siskiyou	1.050%
Solano	1.153%
Sonoma	1.107%
Stanislaus	1.108%
Sutter	1.076%
Tehama	1.020%
Trinity	1.014%
Tulare	1.094%
Tuolumne	1.050%
Ventura	1.091%
Yolo	1.127%
Yuba	1.008%

Current Annual Average Unemployment Rate for the State and Counties (§10033.C.5.a.i.): 10.6% for the state (county rates in table below), based on the most recent annual data from the Employment Development Department.

County	Rate from Dec. 2011 – Nov. 2012
Alameda	9.18%
Alpine	13.71%
Amador	12.03%

Attachment A

<i>County</i>	<i>Rate from Dec.2011 – Nov. 2012</i>
Butte	12.43%
Calaveras	13.13%
Colusa	20.00%
Contra Costa	9.12%
Del Norte	13.33%
El Dorado	10.42%
Fresno	15.29%
Glenn	14.78%
Humboldt	10.43%
Imperial	28.50%
Inyo	9.38%
Kern	13.78%
Kings	15.06%
Lake	15.12%
Lassen	12.87%
Los Angeles	11.17%
Madera	14.26%
Marin	6.41%
Mariposa	10.99%
Mendocino	9.93%
Merced	17.40%
Modoc	14.15%
Mono	10.28%
Monterey	11.39%
Napa	8.00%
Nevada	9.43%
Orange	7.64%
Placer	9.58%
Plumas	15.01%
Riverside	12.32%
Sacramento	10.73%
San Benito	13.83%
San Bernardino	11.95%
San Diego	8.99%
San Francisco	7.51%
San Joaquin	15.06%
San Luis Obispo	8.15%
San Mateo	6.86%
Santa Barbara	7.95%
Santa Clara	8.40%
Santa Cruz	10.97%
Shasta	13.06%
Sierra	12.48%
Siskiyou	15.53%

Attachment A

<i>County</i>	<i>Rate from Dec.2011 – Nov. 2012</i>
Solano	10.17%
Sonoma	8.55%
Stanislaus	15.57%
Sutter	17.71%
Tehama	14.21%
Trinity	16.38%
Tulare	15.77%
Tuolumne	11.88%
Ventura	9.16%
Yolo	11.50%
Yuba	16.99%

MWh Pollution Cost Per MWh of Carbon Dioxide, Nitrous Oxide and Sulfur Dioxide Released in California and the rest of the United States (§10033.C.2.b.ii.2): values in table below based on benefit values and emission values from the relevant research literature. Emissions values for SO₂, NO_x, and CO₂ are from the Federal Environmental Protection Agency.

<i>Pollutant</i>	<i>California</i>	<i>Rest of the US</i>
NO _x	\$ 0.04	\$ 0.12
SO ₂	\$ 0.06	\$ 1.42
CO ₂	\$ 3.79	\$ 7.09